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SUBJECT: READOUT OF SOUTHEAST ASIA ISSUES DISCUSSED AT TWELFTH  
ANNUAL MEETING OF ASIA PACIFIC GROUP ON MONEY LAUNDERING

¶1. (U) The 12th annual meetings of the Asia Pacific Group on Money Laundering (APG) convened July 5 through 10 in Brisbane, Australia. The APG highlighted challenges in Southeast Asia in anti-money laundering (AML) and combating financing of terrorism (CFT) and identified many acute training needs in those areas. The APG discussed and adopted seven Mutual Evaluation Reports (MER), including MERs that covered Vietnam and the Philippines. The MERs reviewed and assessed different jurisdictions' AML-CFT regimes using the Financial Action Task Force (FATF) "40+9 Recommendations" as a benchmark. The report on the Philippines centered on deficiencies in ratifying and implementing UN instruments, but acknowledged progress made in financial sector supervision. The MER on Vietnam described a range of deficiencies in Vietnam's AML-CFT regime and outlined gaps that must be addressed in order to improve Vietnam's compliance. At the ASEAN donors meeting, ASEAN members identified the need to strengthen and build the capacity of FIUs (financial intelligence units) and law enforcement agencies as their top technical assistance and training (TA & T) needs. Singapore will host the 13th annual APG meetings in 2010. End Summary.

Singapore  
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¶2. (SBU) Singapore's presentation at the Asia Pacific Group (APG) on Money Laundering meetings provided a progress report on its AML-CFT regime since the Joint FATF-APG MER on Singapore in 2008. Singapore reported that it is currently reviewing methods to better regulate the real estate sector and improve professional standards. The Assistant Director of the Commercial Affairs Department Ian Wong said that the reported drop in Singapore's 2008 money-laundering conviction rate was not entirely accurate, as not all convictions were concluded in 2008 and some cases are still pending before the courts. He asserted that Singapore maintains a 100 percent conviction rate on money laundering charges.

¶3. (SBU) Outside the MER discussions, Monetary Authority of Singapore's (MAS) Head of External Relations LEONG Sing Cheong said that the MAS cannot enforce AML-CFT on real estate agents as they are not under MAS jurisdiction, making it difficult to monitor all-cash real estate transactions. The Ministry of National Development regulates real estate agents and has initiated a review of the real estate sector and how to apply AML-CFT standards. However, he noted that it will take time to incorporate real estate agents into Singapore's AML-CFT efforts and build greater understanding of how to comply with rules on suspicious transaction reports (STRs).

¶4. (U) Singapore will host the 13th APG meeting in 2010.

Indonesia  
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¶5. (U) Indonesia presented its follow-up report on progress made

since its MER was reported to the 2008 plenary. In response to a query about whether Indonesia has a timeline in mind to pass legislation to strengthen its AML-CFT regime, Indonesia reported that Bank Indonesia (its central bank) issued a declaration on July 1 this year to improve its rules/guidelines on correspondent banking and shell banks, but that there is no timeline for passage of the legislation. Indonesia noted that in a similar situation a draft AML law was submitted to the Indonesian parliament in September 2006 but the law has yet to be passed three years later.

#### Thailand

¶6. (U) Thailand provided an update on its AML-CFT work and some specific details on the proposed legislation designed to enhance parts of Thailand's AML-CFT regime governing financial institutions.

Thailand said that its amended AML legislation will be enacted by August and that the legislation incorporates rules that: require financial institutions to record and verify their customers' identity; keep identity and other transactional records for five years; and conduct risk studies to classify the AML-CFT risk of banking customers. Thailand said that it monitors cross-border foreign exchange transactions by requiring all travelers carrying over US\$20,000 to make declarations at all custom gateways. Thailand's AML Office intends to further enhance its surveillance ability in partnership with Thai Customs through its planned electronic border control system, which should be operational by year-end 2009.

#### Philippines

SINGAPORE 00000779 002 OF 003

¶7. (U) The plenary reviewed and approved the Philippines' second-round MER, which was led by the World Bank. The on-site evaluation took place from September 22 to October 6, 2009. The Philippines received a rating of "Compliant (C)" or "Largely Compliant (LC)" on fourteen of the Recommendations, and received ratings of either "Partially Compliant (PC)" or "Non-Complaint (NC)" on 35 of the recommendations. The assessment team highlighted the key AML-CFT deficiencies in the Philippines, including: the omission of several offenses from the predicate crime list; the deficient implementation of UN Security Council (UNSC) resolutions; the failure to make terrorism financing a stand-alone offense; the failure to include designated non-financial businesses and professionals (DNFBP) under the AML Act provisions; and the lack of access to bank records by the AML Council and law enforcement agencies.

¶8. (SBU) The Philippines said that it has taken significant steps since passing the AML Act in 2001, even though draft legislation to criminalize terrorist financing, regulate DNFBPs, and expand bank obligations have not yet been passed. The Philippines pointed out that its central bank and Philippines securities commission have adopted measures and issued guidelines to fight AML-CFT. The Philippines explained the structure and responsibilities of the AML Council (made up of the central bank governor, head of the securities commission and the head of the insurance commission) and Secretariat. The Philippines AML Council sets policy as empowered by law while the Secretariat is the operational arm that serves as the financial intelligence unit (FIU).

¶9. (SBU) During the plenary session, Indonesia, Singapore and Thailand made motions to upgrade the Philippines' rating on Special Recommendation 1 (on ratification and implementation of UN instruments) from NC to PC. Thailand highlighted the Philippines' guidelines issued to banks as proof of its implementation of UN instruments, while Singapore testified to the Philippines' cooperation in matters relating to financing terrorism. Canada and the United States opposed the upgrade based on the fact that the Philippines has not criminalized terrorism finance. Japan said it needed more substantial proof that the Philippines complied with Special Recommendation 1 given that it has not yet criminalized terrorism finance.

¶10. (SBU) The MER assessment team defended the Philippines' rating, saying that the Philippines' actions were insufficient evidence for an upgrade based on FATF recommendations that require terrorism finance be explicitly criminalized under law. The Philippines has not yet passed the law which would satisfy this requirement. The plenary declined to upgrade the Philippines' rating, keeping it at NC. However, in separate discussions, Philippines' delegation confided to U.S. officials that the NC rating may be helpful in spurring the authorities in the Philippines to do more to address the gaps identified in the MER.

Vietnam

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¶11. (U) This plenary marked the first time that the APG evaluated Vietnam's AML-CFT regime, and the plenary discussion showed that Vietnam has laid the foundation for an AML-CFT regime, though substantial work remains. Vietnam received only one C rating and three PC ratings, with 23 PC ratings and 20 NC ratings. The Vietnamese delegation appeared at times bewildered by the rating process and objected vigorously to many of the ratings. Specifically, the Vietnamese delegation attributed their low ratings to insufficient time allowed for translating the assessment team's report from English to Vietnamese. The officials said that Vietnamese laws, which are based on Vietnamese Civil Code, are comprehensive and cover most of the short-comings in the legal system highlighted by the MER assessment team. Despite a lengthy debate between the MER assessment team and the Vietnamese delegation, the plenary did not support any rating upgrades.

¶12. (U) The MER discussion revealed several key AML-CFT deficiencies in Vietnam, including: the lack of criminalization of terrorism finance as an autonomous offense; no constitutional limitation of the criminal liability of legal person; criminal liability for individuals, which is punishable by only administrative and not criminal sanctions; deficiencies in the laws to protect bona fide third parties whose property is subject to seizure or frozen by the authorities; insufficient laws governing Vietnam's ability to respond to Mutual Legal Assistance requests. The report also highlighted: the lack of resources for Vietnam's FIU and Vietnam's AML Information Centre (AMLIC), which has a staff of 23; the failure of the non-banking credit institutions in Vietnam to implement guidelines on AML-CFT; and the lack of effective regulations

SINGAPORE 00000779 003 OF 003

covering DNFBPs. Vietnam has also yet to ratify or accede to the UN Convention against Transnational Organized Crimes (Palermo Convention).

¶13. (U) The MER on Vietnam contains 15 pages of recommended actions to improve Vietnam's AML-CFT regime. Vietnam will now have to develop its own action plan and report on its progress at subsequent annual APG meetings. According to the IMF, Vietnam has requested technical assistance on banking supervision as well as information technology (IT) development (which the IMF cannot provide). The IMF is currently working on the first request, which will take approximately 18 months to provide.

ASEAN Donor Issues

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¶14. (U) In the regional meeting of ASEAN members, the ASEAN Secretariat's Dr. Aladdin Rillo and the APG Secretariat's Cecilia Marian reported on the results of the TA & T survey sent out to members in May 2009. The results identified six TA & T needs: strengthening and enhancing FIU capacity; building capacity of AML supervisors and law enforcement agencies; developing a supervisory framework for DNFBP and the non-profit organization (NPO) sector; and enhancing cross-border cash movements. For their TA & T needs, ASEAN members decided to focus their efforts on strengthening and building the capacity of FIUs and law enforcement agencies. The APG/ASEAN Secretariats will work with the Donors and Providers Group on these issues.

¶15. (U) Dr. Rillo told ASEAN members that the senior official meeting on transnational crime (SOMTC) adopted a plan of action and

urged members to implement it. The plan of action addresses crimes related to terrorism, money laundering, human trafficking and narcotics trafficking, but needs further development on implementation. The ASEAN Secretariat committed to work more on the plan to ensure it corresponds to the TA & T needs of ASEAN members.

¶16. (SBU) Representatives from Thailand expressed concern that there is an apparent gulf between what the political leaders in ASEAN believe is happening on AML-CFT and what the countries are actually doing to implement their AML-CFT action plans. Dr. Rillo said that the ASEAN Secretariat highlights AML-CFT issues during meetings with central bank and finance ministry officials, but agreed that more can be done such as better coordination between member countries' FIUs and the ASEAN Secretariat's Transnational Crime Unit. The representative from Laos voiced concern that senior levels of the government were not sufficiently focused on AML-CFT concerns, and asked the APG Secretariat for support in raising this with senior Laotian government officials whenever possible. The APG Secretariat agreed to work with Laos to help sensitize the government to the issues, to the extent possible within the APG's mandate.

¶17. (U) Various donors outlined their regional training programs. The International Monetary Fund (IMF) reported that it will be placing a regional resident AML-CFT expert in Singapore, who will be responsible for coordinating IMF assistance with other donors' regional experts. The resident expert will focus primarily on Vietnam, Thailand, Cambodia and Laos PDR. The IMF also reported that the IMF Training Institute in Singapore will conduct training for would-be MER assessors and AML-CFT officials in countries that will be assessed. The Asian Development Bank (ADB) informed the meeting that they provide support directly to the ASEAN Secretariat in the area of customs, immigration, quarantine and security (CIQS) to help counter trade-based money laundering.

¶18. (U) Further information on the MERs discussed at the 12th annual APG meetings can be found on the APG website [www.apgml.org](http://www.apgml.org).

¶19. (U) This cable was drafted by Emboff/Singapore and cleared with the head of the United States delegation to the APG. Any USG official with technical questions regarding the Vietnam or Philippines MERs or general APG matters may contact the United States Head of Delegation Colleen Stack via email at [Colleen.Stack@do.treas.gov](mailto:Colleen.Stack@do.treas.gov).

SHIELDS